

EDWARDSBURG AMBULANCE SERVICE

FINANCIAL STATEMENTS

MARCH 31, 2008

EDWARDSBURG AMBULANCE SERVICE

BOARD OF DIRECTORS

<u>Name</u>	<u>Title</u>	<u>Local Unit</u>
John Brielmaier	Chairperson	Ontwa Township
James Robinson	Co-Chairperson	Village of Edwardsburg
Jim Ralph	Trustee	Ontwa Township
Jacqueline Tighe	Trustee	Village of Edwardsburg
Richard Gerbeth	Trustee	Milton Township
Paul Boggs	Trustee	Milton Township

Ambulance Administrator
Frank T. Lemanski

EDWARDSBURG AMBULANCE SERVICE

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MARCH 31, 2008

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INDEPENDENT AUDITOR'S REPORT

Members of the
Edwardsburg Ambulance Service
Edwardsburg, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Edwardsburg Ambulance Service as of and for the year ended March 31, 2008 which collectively comprise the Services' financial statements as listed in the table of contents. These financial statements are the responsibility of the Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the governmental activities, and each major fund of the Edwardsburg Ambulance Service as of March 31, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents are not a required part of the financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in dark ink that reads 'Schaffer & Layher' in a cursive, flowing script.

Schaffer & Layher
June 30, 2008

David Schaffer, CPA
Michael Layher, CPA
Founding Partners:
Morris McMurray, CPA
Raymond Marks, CPA
Jeff Edmunds, CPA

This section of the Edwardsburg Ambulance Service, (the "Service") annual report presents our discussion and analysis of the Service's financial performance during the year ended March 31, 2008. The intent of this analysis is to provide citizens, taxpayers, customers, and investors with a better understanding of how the Services' money and other assets are managed. This discussion and analysis of financial performance also provides a comparison overview of the Service's financial activities for the fiscal years ended March 31, 2008 and 2007. Please read it in conjunction with the Service's financial statements, which immediately follow this section.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2008:

- The assets of the Service exceeded its liabilities at the close of the most recent year by \$321,459 (net assets).
- The Service's total net assets increased by \$3,628, as the result of current year activity.
- The Governmental Funds finished the 2008 year with an increase to fund balance of \$19,028. The ending fund balance for the 2008 for the Governmental Funds was \$266,637.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Service as a whole and present a longer-term view of the Service's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how resources were spent during the year, as well as how much is available for future spending. Fund financials statements also report the operations of the Service in more detail than the government-wide financial statements by providing information about the Service's most significant funds.

The Service as a Whole

The following table shows, in a condensed format, the net assets as of March 31, 2008 and 2007.

	<u>2008</u>	<u>2007</u>
Assets		
Current Assets	\$ 266,637	\$ 257,725
Capital assets, net of accumulated depreciation	<u>115,907</u>	<u>140,222</u>
Total Assets	<u>\$ 382,544</u>	<u>\$ 397,947</u>
Liabilities		
Current liabilities	\$ 8,575	\$ 10,116
Non-current liabilities	<u>52,510</u>	<u>70,000</u>
Total Liabilities	<u>\$ 61,085</u>	<u>\$ 80,116</u>
Net Assets		
Invested in capital assets	\$ 115,907	\$ 140,222
Unrestricted	<u>205,552</u>	<u>177,609</u>
Total Net Assets	<u>\$ 321,459</u>	<u>\$ 317,831</u>

The Service's total net assets were \$321,459 at March 31, 2008. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) were \$205,552 at the end of the year. The net asset invested in capital assets were at \$115,907.

The following table shows the changes in net assets for the 2008 and 2007 fiscal years.

	<u>2008</u>	<u>2007</u>
Revenue		
Program Revenue:		
Charges for services	\$ 177,490	\$ 364,765
Operation grants and contributions	-	-
General revenue:		
Taxes	205,899	-
Investment earnings	4,633	5,762
Miscellaneous	<u>225</u>	<u>143</u>
Total Revenue	<u>\$ 388,247</u>	<u>\$ 370,670</u>
Program Expenses		
Public safety	<u>384,619</u>	<u>340,753</u>
Change in Net Assets	<u>\$ 3,628</u>	<u>\$ 29,917</u>

Governmental Activities

The Service's governmental revenues totaled \$388,247 with the greatest revenue sources being charges for services. Charges for services make up approximately 98 percent of the total governmental revenue.

The Service's incurred expenses of \$369,219 during the year. As a special purpose government, all of the governmental expenses incurred are associated with the public safety function.

The Service's Funds

The analysis of the Service's major funds begins on page 7, following the government-wide financial statements. The fund financial statements provide detailed information about the individual funds, not the Service as a whole. The Service's Board of Trustees creates a fund to help manage money for specific purposes as well as to show accountability for certain activities. The Service's has only one fund which was treated as a major fund for the fiscal year ended March 31, 2008.

The fund pays for all of the Service's governmental services. The sole service provided during the fiscal year was ambulance services, which incurred expenditures of \$384,619 for the fiscal year.

Capital Assets and Debt Administration

At the end of the fiscal year, the Service had \$115,907 invested in emergency service vehicles and equipment (net of accumulated depreciation).

The Service issued no new debt during the year and had \$61,058 of debt outstanding at year-end.

Economic Factors and Next Year's Budget

The largest economic factor facing the Service in fiscal year 2009 will continue to be third-party cost reimbursement issues and uncollectible accounts. Adjustments and write-offs to accounts are expected to be at least 50% of amount billed. The board will continue to monitor these items at each monthly meeting.

Contacting the Service's Management

This financial report is intended to provided our citizens, taxpayers, customers, and others with a general overview of the Service's finances and demonstrate the Service's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Service Director at 269-663-8022.

BASIC FINANCIAL STATEMENTS

EDWARDSBURG AMBULANCE SERVICE
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
MARCH 31, 2008

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash in bank	\$ 33,175
Taxes receivable	182,659
Accounts receivable, net of allowance	50,803
Total Current Assets	<u>\$ 266,637</u>
Non-Current Assets	
Capital assets	\$ 256,425
Less: accumulated depreciation	(140,518)
Total Non-Current Assets	<u>\$ 115,907</u>
Total Assets	<u><u>\$ 382,544</u></u>
 Liabilities and Net Assets	
Liabilities	
Current Liabilities	
Note payable due within one year	\$ 8,575
Non-Current Liabilities	
Note payable due in more than one year	52,510
Total Liabilities	<u>\$ 61,085</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 115,907
Unrestricted	205,552
Total Net Assets	<u>\$ 321,459</u>
Total Liabilities and Net Assets	<u><u>\$ 382,544</u></u>

The notes to the Financial Statements are an integral part of this statement.

EDWARDSBURG AMBULANCE SERVICE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2008

		<u>Program Revenue</u>		Governmental
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Activities</u>
Functions/Programs	<u>Expenses</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
Governmental Activities:				
Public safety	\$ 384,619	\$ 177,490	\$ -	\$ (207,129)
Total Governmental Activities	<u>\$ 384,619</u>	<u>\$ 177,490</u>		
General Revenues:				
Taxes				\$ 205,899
Interest				4,633
Miscellaneous				225
Total General Revenues				<u>\$ 210,757</u>
Change in Net Assets				\$ 3,628
Net Assets, Beginning of Year				<u>317,831</u>
Net Assets, End of Year				<u>\$ 321,459</u>

The notes to the Financial Statements are an integral part of this statement.

EDWARDSBURG AMBULANCE SERVICE
GOVERNMENTAL FUND BALANCE SHEET
MARCH 31, 2008

Assets

Cash and cash equivalents	\$	33,175
Taxes receivable		182,659
Accounts receivable, net of allowance for uncollectable accounts		50,803
Total Assets	\$	266,637

Liabilities and Fund Balance

Fund Balance		
Unreserved:		
Undesignated	\$	266,637

The notes to the Financial Statements are an integral part of this statement.

EDWARDSBURG AMBULANCE SERVICE
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF
NET ASSETS
MARCH 31, 2008

Total Fund Balances - Governmental Funds	\$ 266,637
Amounts reported for governmental activities in the statement of net assets are different because -	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds	
Capital assets at cost	256,425
Accumulated depreciation	(140,518)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds	
Note payable	<u>(61,085)</u>
Total Net Assets - Governmental Activities	<u><u>\$ 321,459</u></u>

The notes to the Financial Statements are an integral part of this statement.

EDWARDSBURG AMBULANCE SERVICE
GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE
MARCH 31, 2008

	<u>General</u>
Revenue	
Taxes	\$ 205,899
Charges for services	177,490
Interest	4,633
Other	225
Total Revenues	<u>\$ 388,247</u>
Expenditures:	
Public safety	\$ 357,198
Debt service	12,021
Capital outlay	-
Total Expenditure	<u>\$ 369,219</u>
Net change in fund balance	\$ 19,028
Fund Balance, beginning of year	<u>247,609</u>
Fund Balance, end of year	<u><u>\$ 266,637</u></u>

The notes to the Financial Statements are an integral part of this statement.

EDWARDSBURG AMBULANCE SERVICE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2008

Net Change in Fund Balance - Total Governmental Fund \$ 19,028

Amounts reported for governmental activities in the Statement of
Activities are different because:

Governmental funds report capital outlays as expenditures; in the
Statement of Activities, these costs are allocated over their estimated
useful lives as depreciation.

Depreciation Expense (24,315)

Capital Outlay -

Repayment of debt principal is an expenditure in the governmental
funds, the repayment does not have an effect in the statements of
activities but does reduce the debt balance in the statement of net

Principal payments on long-term debt 8,915

Change in Net Assets of Governmental Activities \$ 3,628

The notes to the Financial Statements are an integral part of this statement.

NOTE 1 REPORTING ENTITY

The Edwardsburg Ambulance Service (the “Service”) was formed as a corporation in 1968 under the provisions of Michigan Public Acts pertaining to intergovernmental contracts between municipal corporations, for the purpose of providing ambulance services. The municipalities included in the corporation are the Village of Edwardsburg, Ontwa and Milton Townships. Each local unit appoints two people to comprise the six member board that governs the Service.

The accompanying financial statements are exclusive presentations of the financial condition and results of operations of the Service. The Service is considered a “joint venture” of the constituent municipalities.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – Government –Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Revenue, Expenses and Changes in Net Assets) report information of the activities of the Service. There is only one fund reported in the government-wide financial statements.

The Statement of Net Assets presents the Service’s assets and liabilities with the difference being reported as either invested in capital assets or restricted net assets.

The Statement of Revenue, Expenses and Changes in Net Assets demonstrates the degree to which the operating expenses of a given function or segment is offset by operating revenues. Operating expenses are those that are clearly identifiable with a specific function or segment. Operating revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among operating revenues are reported instead as nonoperating revenue.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Measurement Focus

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The government-wide financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met. Deferred revenue is recorded when resources are received by the Service before it has legal claim to them, such as when grant monies are received prior to the incurrence of qualified expenditures.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues susceptible to accrual include charges for services and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt which are recorded when due.

The Service reports deferred revenue, if applicable, on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Resources are considered available if they are collected during the current fiscal year or soon enough afterward to be used in payment of current year liabilities – defined as expected to be

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Basis of Accounting, Concluded

received within sixty days of year-end. Deferred revenues also arise when the Service receives resources before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

Accounts Receivable

Accounts receivable consists of amounts due from governmental assistance programs (i.e., Medicaid and Medicare), private insurances, and individual patients for ambulance services provided. The amounts reflected in the financial statements are net of an applicable allowance for doubtful collections, which is based on historical collection patterns.

Cash and Investments

Cash is considered to be cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. The statement of cash flows includes both restricted and unrestricted cash and cash equivalents. Investments are stated at fair value and short-term investments are reported at cost, which approximates fair value.

Prepaid Items

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the financial statements.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Costs relating to maintenance and repairs are charged to expense, whereas those for renewals and betterments, when significant in amount, are capitalized. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and life expectancy > 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Capital Assets concluded.

Provisions for depreciation of equipment are computed on the straight-line method.

Depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Equipment	5 to 15 years
Vehicles	7 to 10 years

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of the following: assets and liabilities; the disclosures of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Data

Comparative data for the prior year has not been presented in accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The budget shown in the financial statements was prepared on a basis consistent with that used to reflect actual results.

The Service follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to April 1, the budget is legally adopted on a fund level through passage of a Board resolution. The budget may also be amended without limitation upon approval by the Board.

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONCLUDED

Budgets and Budgetary Accounting concluded.

- b. Formal budgetary integration is employed as a management control device during the year.
- c. The Board does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriations unused at March 31 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted or amended by the Board during the year. Individual amendments were appropriately approved by the Board as required.

Excess of Expenditures Over Appropriations in Major Budgeted Funds –
During the year, the Service incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated as follows:

Governmental Fund	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Salaries and Wages	\$ 213,544	\$ 221,606	\$ (8,062)
Payroll taxes and other fringe benefits	45,300	47,947	(2,647)
Communications	2,000	2,068	(68)
Uniforms	2,000	2,172	(172)
Janitorial/living quarters	4,250	4,870	(620)

Funds sufficient to provide for the excess expenditures were made available from other functions within the fund, and had no impact on the financial results of the Service.

Fund Deficits – The Service has no accumulated fund balance/retained earning deficits in their reported funds.

NOTE 4 CASH DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Service to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities, and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of

NOTE 4 CASH DEPOSITS AND INVESTMENTS, CONTINUED

the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Service has designated one financial institutions for deposit of Service funds. The investment policy adopted by the board is in accordance with Public Act 196 or 1997 and has authorized investment in accordance with the State statutory authority as listed above.

The risk disclosures for the Service deposits, as required by GASB Statement No. 40, are as follows:

Deposits

As of March 31, 2008, the carrying amount and bank balances are as follows:

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Deposits	\$ 33,175	\$ 34,894

Deposits of the Service are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Service. As of March 31, 2008, the Service accounts were insured by the FDIC for \$34,894 and none were uninsured and uncollateralized.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). The Service has not adopted a policy that indicates how the Service will minimize credit risk if/when the Service has investments that are subject to this type of risk.

Interest Rate Risk

The Service has not adopted a policy that indicates how the Service will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighted average maturity of its investment portfolio to

NOTE 4 CASH DEPOSITS AND INVESTMENTS, CONTINUED

less than a given period of time if/when the Service has investments that are subject to this type of risk.

Concentration of Credit Risk

The Service has not adopted a policy that indicates how the Service will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Service's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized if/when the Service has investments that are subject to the type of risk.

Custodial Credit Risk

The Service has not adopted a policy that indicates how the Service will minimize custodial credit risk, which is the risk that in the event of the failure of the counterparty, the Service will not be able to recover the value of its investments of collateral securities that are in possession of an outside party if/when the Service has investments that are subject to this type of risk.

The Service did not have any investments at March 31, 2008.

NOTE 5 ACCOUNTS RECEIVABLE

The patient accounts receivable consists of billings to insurance companies and individuals for ambulance services provided. As of March 31, 2008, the Service has a patient accounts receivable balance of \$105,803 and has estimated that \$55,000 of that receivable will be uncollectible for the net receivable balance of \$50,803 reported in the financial statements.

NOTE 6 CAPITAL ASSETS

	Balance 4/1/07	Additions	Deletions	Balance 3/31/08
Governmental Activities:				
Vehicles	\$ 202,339	\$ -	\$ -	\$ 202,339
Equipment	54,086	-	-	54,086
Total	\$ 256,425	\$ -	\$ -	\$ 256,425
 Accumulated Depreciation	 (116,203)	(24,315)	-	(140,518)
 Net Capital Assets	 \$ 140,222	\$ (24,315)	\$ -	\$ 115,907

Depreciation expense of \$24,315 was wholly allocated to the only government function (public safety.)

NOTE 7 EMPLOYEES' RETIREMENT SYSTEM

The Service has a 403(b) defined contribution retirement plan for all eligible employees and contributes up to \$200 for each participating employee.

For the year ending March 31, 2008, the Service contributed \$800 to the retirement plan.

NOTE 8 NOTES PAYABLE

The Service issues notes and other contractual commitments to provide for the acquisition of vehicles and equipments.

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reduction	Ending Balance	Due in One Year
Notes Payable 5.5%; due 4/15/14	\$ 70,000	\$ -	\$ (8,915)	\$ 61,085	\$ 8,575

NOTE 8 NOTES PAYABLE, CONCLUDED

Annual debt service requirements for the above note obligations are as follows:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
March 31, 2009	\$ 8,575	\$ 3,446	\$ 12,021
March 31, 2010	9,059	2,962	12,021
March 31, 2011	9,570	2,451	12,021
March 31, 2012	10,110	1,911	12,021
March 31, 2013	10,681	1,340	12,021
March 31, 2014	11,283	738	12,021
March 31, 2015	1,807	102	1,909
	<u>\$ 61,085</u>	<u>\$ 12,950</u>	<u>\$ 74,035</u>

Interest expense of \$3,106 was charge to the only activity of the fund (public safety.)

NOTE 9 RISK MANAGEMENT

The Service is exposed to various risks of loss related to property, loss, torts, errors, and omissions, and employees' injuries (worker's compensation). The Service has purchased commercial insurance policies to cover any anticipated or significant losses. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

REQUIRED SUPPLEMENTARY INFORMATION

EDWARDSBURG AMBULANCE SERVICE
 BUDGETARY COMPARISON SCHEDULE
 MARCH 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Taxes	\$ 197,380	\$ 197,380	\$ 205,899	\$ 8,519
Charges for services	150,000	150,000	177,490	27,490
Interest	4,000	4,000	4,633	633
Other	100	100	225	125
Total Revenues	<u>\$ 351,480</u>	<u>\$ 351,480</u>	<u>\$ 388,247</u>	<u>\$ 36,767</u>
Expenditures:				
Public safety:				
Salaries and wages	\$ 213,544	\$ 213,544	\$ 221,606	\$ (8,062)
Payroll taxes and other fringe benefits	45,300	45,300	47,947	(2,647)
Utilities	3,500	3,500	3,417	83
Communications	2,000	2,000	2,068	(68)
Billing service fees	7,000	7,000	6,496	504
Uniforms	2,000	2,000	2,172	(172)
Office supplies	3,500	3,500	3,320	180
Insurance	21,000	21,000	20,520	480
Training	10,000	10,000	9,025	975
Ambulance supplies	22,500	22,500	22,215	285
Professional services	2,100	2,100	1,759	341
Janitorial/living quarters	4,250	4,250	4,870	(620)
Miscellaneous	2,381	2,381	357	2,024
Repairs and maintenance	19,000	19,000	11,426	7,574
Debt service	12,208	12,208	12,021	187
Total Expenditures	<u>\$ 370,283</u>	<u>\$ 370,283</u>	<u>\$ 369,219</u>	<u>\$ 7,761</u>
Net change in fund balance	\$ (18,803)	\$ (18,803)	\$ 19,028	
Fund Balance, beginning of year	<u>247,609</u>	<u>247,609</u>	<u>247,609</u>	
Fund Balance, end of year	<u>\$ 228,806</u>	<u>\$ 228,806</u>	<u>\$ 266,637</u>	



To the Board Members and Management
of Edwardsburg Ambulance Service

In planning and performing our audit of the financial statements of Edwardsburg Ambulance Service as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Edwardsburg Ambulance Service's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Service's internal control. Accordingly, we do not express an opinion on the effectiveness of the Service's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Service's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Service's financial statements that is more than inconsequential will not be prevented or detected by the Service's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

Preparation of Financial Statements

Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). Responsibility for the financial statements of the Service rests with the Service's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting).

It has historically been common for many small to medium-sized governments to rely on the independent auditors to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. As a result, a government's ability to prepare financial statements in accordance with GAAP has typically been based, in part, on its reliance on the independent auditors. By definition, independent auditors cannot be part of the government's internal controls.

The condition noted in the preceding paragraph exists at the Edwardsburg Ambulance Service. The cause for this condition is simply because it is more cost effective to outsource the preparation of its annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally.

As a result of this condition, the employees and/or management do not possess the qualifications necessary to prepare the Service's annual financial statements and notes to the financial statements in accordance with GAAP. The Service relies, in part on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP.

We recommend the Service consider obtaining the proper training for the appropriate staff members to assure that they are able to fully understand what goes into the preparation of the annual audited financial statements and so that they can take responsibility for the preparation of the annual audited financial statements, assure there are no material misstatements, and assure there are appropriate disclosures in accordance with accounting principles generally accepted in the United States of America.

David Schaffer, CPA
Michael Layher, CPA
Founding Partners:
Morris McMurray, CPA
Raymond Marks, CPA
Jeff Edmunds, CPA

Segregation of Duties

During our consideration and assessment of fraud risk, we noted that the Service may not have sufficient segregation of duties in its accounting structure. Specifically, we noted that the same individual who is responsible for preparing bank reconciliations makes bank deposits and maintains the computerized general ledger, including the preparation and recording of journal entries. The intent of internal control is to assure that no one individual is able to control all aspects of a transaction cycle (i.e., receipts, disbursements, etc.).

While a lack of appropriate segregation of duties is a common occurrence in small organizations due to the limited number of employees, the Service should realize that a greater risk in safeguarding assets exists if duties and responsibilities are not appropriately arranged and separated.

We recommend that the Service review various areas of operation and consider additional segregation of duties. If duties cannot be adequately segregated due to the limited number of employees, we suggest the Board provide a greater review and supervision of accounting functions and procedures. We also recommend that in the future when the Service is adopting new or modifying existing financial policies that they consider the issue of fraud and assure that the policy discusses ways that will prevent, deter, and detect fraud within the area the policy is addressing.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe that the significant deficiencies described above are not material weaknesses.

Other Matters

In addition, we noted other matters involving the internal control and its operation that we would like to report to you.

Establish Fixed Asset Capitalization Policy

We noted during our audit that the Service has large repair and maintenance expenditures, but has no established capitalization policy. We recommend the Board adopt a policy that establishes the type of assets to capitalize, a dollar criterion of expenditures to look at, and other items to help determine which are repairs and improvements.

Investment Policy

During the course of our audit it was noted that the Service has no investment policy to address the reporting requirements of GASB Statement No. 40. GASB Statement No. 40 was designed to inform financial statement users about deposit and investment risks that could affect the Service's ability to provide services and meet its obligations as they become due.

We recommend the Board adopt an investment policy to address, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk, if applicable. Such policies are required to be disclosed in the notes to the Service's financial statements by GASB Statement No. 40.

Establish Credit Policy

In accordance with State of Michigan Public Act 266 of 1995, the act allows local units of government to use credit cards for appropriate expenses, but a written policy and adopted by resolution must be done. We noted that a credit card was used during the year, but did not find a written policy and recommend that a policy be adopted with the appropriate language. (See attached example.)

This communication is intended solely for the information and use of management, the Board Members, and others within the Service, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Schaffer & Layher".

Schaffer & Layher
St. Joseph, Michigan

June 30, 2008